Briefs

The overall quantity of sugar to be allotted for a crop year is determined by subtracting the sum of 1.532 million short tons raw value (STRV), plus carry-in stocks of sugar (including CCC inventory), from USDA's estimate of sugar consumption and reasonable carryover stocks at the end of the crop year. USDA must adjust allotment quantities to avoid forfeiture of sugar to the CCC.

The overall allotment quantity is divided between refined beet sugar (at 54.35 percent of overall quantity) and raw cane sugar (at 45.65 percent). For cane sugar, Hawaii and Puerto Rico are jointly allotted 325,000 STRV. For the mainland cane sugar producing states (Florida, Louisiana, and Texas), allocations are assigned based on past marketings of sugar, the ability to market sugar in the current year, and past processing levels. Beet sugar processors are assigned allotments based on their sugar production for the 1998-2000 crop years. The 2002 Farm Act provides for a number of contingencies that could require reassignment of allotments during the crop year.

USDA's authority to operate sugar marketing allotments is suspended if import levels of sugar for human consumption, not including Re-Export Program quantities, are estimated to exceed 1.532 million STRV (such that the overall allotment quantity would have to be reduced). The marketing allotments would remain suspended, until imports have been restricted, eliminated, or otherwise reduced to or below the 1.532 million STRV level.

Flexible marketing allotments are likely to provide more effective price support throughout the marketing year. When allotments are on, processors who have expanded marketings in excess of the rate of growth in domestic sugar demand will have to postpone the sale of some sugar, and either store it at their own expense or sell it for uses other than domestic food use. The cost of storing excess production is thus shifted from the Government to the industry. (However, the 2002 Farm Act requires that the CCC establish a sugar storage facility loan program to assist processors who want to construct or upgrade storage and handling facilities.)

Trade Measures

In addition to the sugar loan program, U.S. sugar policy is implemented through a tariff-rate quota (TRQ) system, which is continued under the 2002 Farm Act. The TRQ is a two-tiered tariff for which the tariff rate charged depends on the volume of imports. A lower (in-quota) tariff is charged on imports within the quota volume, and a higher (over-quota) tariff is charged on imports in excess of the quota volume. Each year, the Secretary of Agriculture announces the quantity of sugar that may be imported at the in-quota rate. Any quantity above that level would be imported at a higher tariff rate. The raw cane sugar TRQ is allocated to 40 countries. The 2002 Farm Act specifies that on June 1 of each year, the U.S. Trade Representative, along with USDA, must calculate the used and unused portions of the TRQ for each quota-holding country, and reallocate unused quota to qualified quota holders.

The U.S. also operates the Refined Sugar and Sugar-Containing Products Re-Export Programs to allow U.S. refiners to compete in global refined and sugar-containing product markets. The programs establish a license against which a company can import sugar at world prices for refining and sale to replace sugar that has been exported either as refined sugar or in sugar-containing products. The 2002 Farm Act specifies that all refined sugars derived from either sugar beets or sugarcane are substitutable under these programs. AO

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Specialty Crops

Demand Strong for Tree Nuts

Strong demand, especially from export markets, has been driving up tree nut shipments this season. Supply is also strong this season because of large crops and large beginning stocks. The net effect is lower grower prices. Overall revenue is expected to be high, despite expected lower prices, because of the large volume of tree nut crops being moved.

High almond shipments provide almond growers with good returns. Almonds dominate nut production in the U.S. The near-record crop in 2001/02 has provided ample supply for marketing. While lower than the previous season, beginning stocks were still very large, pushing total available supplies above the record crop in 1999/2000.

Domestic demand has been very strong so far this year (August through May), about 15 percent over last season, which could help drive domestic consumption to its highest level yet. Americans consume more almonds than any other tree nut, including those used in candy and baked goods, yet the average person consumes less than a pound a year. Fortunately for the industry, other regions of the world have a stronger preference for almonds. Europeans, the major customers U.S. almonds, use much of their nut imports to make paste.

Strong demand for almonds in Europe has helped fuel a rapidly expanding U.S. almond industry. Virtually the entire U.S. almond crop comes from California, which has an ideal environment for the trees. Foreign nut demand has driven this expansion, and bearing acres reached 525,000 in 2001. Acreage is likely to increase slightly for the 2002/03 crop, although the rate of growth is slowing after several years of continuous expansion. In July, USDA's National Agricultural Statistics Service (NASS) forecast the new almond crop at a record 980 million pounds. As the 2001/02 season winds down, dwindled supplies put the industry in a good position to handle next year's expected record crop. The industry expects grower prices to improve despite the forecast, and the coming season, which got underway in early August, will likely see stable or even increasing prices as strong demand is expected to continue.

No big surprises expected for walnut crop. Almost all of the commercial walnut industry is concentrated in California's San Joaquin Valley. The good weather that boosted California's almond crop was also a plus to the walnut crop. Because this season was a record crop for walnuts, the trees will likely produce a smaller crop in 2002/03. Acreage has remained relatively stable over the past few years, and no major changes are expected in the near future.

The 2001/02 walnut crop movement was about 4 percent above the previous year through June (on an inshell equivalent basis). Domestic movement, which accounted for 58 percent of total shipments through May, was 3 percent higher than last season. Exports have been stronger so far this season, increasing 6 percent over 2000/01. Most walnuts are exported shelled, and are destined primarily for Japan, Germany, Israel, and Spain.

Walnut prices for the 2001/02 season averaged $1,120 per ton. The expected smaller crop this coming harvest should increase grower prices. As a result, total revenue should continue higher as it has the past 3 years.

Pistachio shipments strong. Finishing out the California tree nuts, the 2002/03 pistachio crop is expected to be larger than the present crop in the market, following the general alternate-year-bearing trend of tree nuts. Pistachio production is on the opposite cycle of the other tree nuts, and 2001 was the "off cycle" year for the crop. The 2001 crop was 34 percent below last year's record crop, but still 31 percent above the similar low cycle 2 years ago. A forecast of the new season crop will be available at the end of August.

Pistachio nut shipments were higher for September 2001-May 2002 than during the same period last year. Despite the smaller 2001 crop, exports were higher. Shipments of inshell pistachios increased 41 percent, with large increases in quantity going to the European Union. The major markets are Germany, France, Hong Kong, and Canada. Large beginning stocks for this year's crop likely contributed to the larger shipments. Strong demand has driven down inventory below last year's level, with stocks of loose kernel and artificially opened pistachios nearly depleted. As a result, growers are in good position to demand higher prices once the new crop harvest begins. Low inventory should help moderate price-depressing effects of a larger crop.

Pecan markets hurt by a slowed economy. The 2001/02 pecan crop suffered from the domestic economic slowdown this year. Unlike many of the other tree nuts, much of the pecan crop is not stored before marketing. Rather, inventory is held by processors who purchase the pecans to make cookies, ice cream, pies, and similar goods. As a result, much of the crop is sold shortly after harvest. With the pecan harvest beginning in September, the 2001/02 crop was hurt by the economic downturn that occurred after September 11. Growers were receiving good returns at the beginning of harvest, but demand fell once the economic effects of the tragedy reached the food industries. Because close to 90 percent of the crop is sold to the baking, candy, and ice cream industries, and nearly all the nuts are in the market at the same time, prices fell. As a result, the per pound price dropped to 68.7 cents, the lowest in 5 years. The value of the crop in 2001 fell 9 percent from the previous year.

In response to declining revenues, pecan farmers reduced their inputs to cut costs. The industry is expecting a much smaller crop this year because of the reduced input use, drought conditions throughout most of the pecan-growing States, and the alternate-bearing cycle of the trees. A smaller crop generally would be good news to growers, because prices would be expected to rise. However, pecan inventories held by processors are reported to be high as the season is ending, and the new harvest is just a few months away. As a result, processors will be unwilling to pay high prices for the new crop. Those pecans going to fresh market, such as the gift industry, should be able to get good prices.

Fewer hazelnuts expected this season. Following the largest crop on record, the incoming hazelnut crop is expected to return to normal levels for an off year. Producing such a large crop last year placed a heavy burden on the trees and could push this year's production down to around 20,000 tons, according to industry sources. This significantly lower crop should boost grower prices, which fell to $700 a ton in 2001, the lowest level since 1993. However, low prices helped move the crop and bring total revenue above last year's level.

Hazelnut shipments have been strong, leaving very little inventory at the end of the season. While domestic shipments were above a year ago, they were 18 percent below 2 years ago. Fortunately for the industry, export demand has been growing. At the end of April, over 24,000 tons of hazelnuts had been exported compared with only about 3,000 tons sold domestically. The major international markets for U.S. hazelnuts are Hong Kong, China, and Germany. Almost all of the shipments are inshell nuts. Kernels account for a very small proportion of sales. AO

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